



SENATE REPUBLICAN

POLICY COMMITTEE

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**Tax Deadline is Almost Upon Us...
What This Means for the Average American Taxpayer**

As the April 17th filing deadline approaches, an estimated 135 million Americans will sit down to complete their 2006 tax returns. Because of the increasing complexity of the current tax system, those attempting this process may find themselves shelling out their hard-earned money in an effort to comply with the myriad of rules related to deductions, exemptions, etc.

- In the IRS' own estimation, the average time burden for all taxpayers filing a 1040 is 30 hours.
- According to the President's Panel on Tax Reform, "since the last major reform effort in 1986, there have been more than 14,000 changes to the tax code, many adding special provisions and targeted tax benefits, some of which expire after only a few years."
- More than 6 in 10 Americans now hire someone to help prepare their returns every year.
- For tax season 2005, businesses and non-profits spent an estimated 6.4 billion hours complying with the federal income tax code, with an estimated compliance cost of over \$265.1 billion. This amounts to imposing a 22-cent tax compliance surcharge for every dollar the income tax system collects. Projections show that the compliance cost will grow to \$482.7 billion by 2015.
- Businesses bore the majority of tax compliance costs in 2005, totaling nearly 56 percent of total compliance costs. Compliance costs for individuals were 42 percent, and non-profits' compliance costs were nearly 2.5 percent of the total.
- When examined by income level, compliance cost is found to be highly regressive, taking a larger toll on low-income taxpayers as a percentage of income than high-income taxpayers.
 - On the low end, taxpayers with adjusted gross income (AGI) under \$20,000 incur a compliance cost equal to 5.9 percent of income while the compliance cost incurred by taxpayers with AGI over \$200,000 amounts to just 0.5 percent of income.

American taxpayers are in need of a tax system based on long-standing criteria: equity, economic efficiency, and a combination of simplicity, transparency, and workability.

[Most of the above facts were provided by the Tax Foundation.]